

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
SOUTHEASTERN MICHIGAN GAS COMPANY)
for approval of its gas cost recovery plan and)
factors for the 12-month period ending March 31,)
1998, and for authority to implement system)
balancing and excess balancing charges.)
_____)

Case No. U-11215

At the November 25, 1997 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. John G. Strand, Chairman
Hon. John C. Shea, Commissioner
Hon. David A. Svanda, Commissioner

ORDER APPROVING JOINT STIPULATION

On June 5, 1997, the Commission issued an order in this case authorizing Southeastern Michigan Gas Company (Southeastern), now known as SEMCO Energy Gas Company (SEMCO Gas), to implement a separate uniform gas cost recovery (GCR) factor of up to \$2.8566 per thousand cubic feet (Mcf) in each of its monthly billings for the 12-month period ending March 31, 1998. The order went on to state that upon approval of the proposed merger of Southeastern and Michigan Gas Company in Case No. U-11220, the surviving company, SEMCO Gas, could implement a consolidated GCR factor of \$3.0971 per Mcf for any remaining portion of the plan year.

On September 19, 1997, SEMCO Gas filed a motion to reopen the record and to change the authorized GCR factors, as provided by MCL 460.6h(10); MSA 22.13(6h)(10).

According to the motion, significant and unanticipated increases in spot market gas prices are causing SEMCO Gas to incur higher gas costs than were reflected in the GCR plan. If these higher gas costs are not reflected in higher GCR factors, SEMCO Gas asserts, they will result in a large underrecovery. SEMCO Gas therefore seeks an increase in the GCR factor for the remainder of the 12-month GCR period ending March 31, 1998. According to the motion, the purpose of the increase is to minimize the amount of any underrecovery and also to avoid the accrual of interest on that underrecovery.

On October 29, 1997, the Commission approved the merger of the GCR clauses of Southeastern and Michigan Gas. Thereafter, the Commission Staff, Attorney General Frank J. Kelley, the Association of Businesses Advocating Tariff Equity, and SEMCO Gas, which constitute all of the parties to this proceeding, entered into the joint stipulation attached as Exhibit A to this order. In their joint stipulation, the parties recommend that the Commission reopen the record in this case and authorize SEMCO Gas to implement a GCR factor of \$3.6455 per Mcf for December 1997 through March 1998.

The Commission finds that the relief requested in the joint stipulation should be granted. That stipulation reflects unanimous agreement among the parties concerning the need to increase the GCR factor to avert a large underrecovery. The Commission is therefore persuaded that approving the joint stipulation is reasonable and in the public interest.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 300, as amended, MCL 462.2 et seq.; MSA 22.21 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; MSA 22.1 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; MSA 22.13(1) et seq.; 1982 PA 304, as amended, MCL 460.6h et seq.; MSA 22.13(6h) et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; MSA 3.560(101) et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACSR, R 460.17101 et seq.

- b. The joint stipulation is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The joint stipulation, attached as Exhibit A, is approved.
- B. SEMCO Energy Gas Company is authorized to charge a consolidated GCR factor of \$3.6455 per thousand cubic feet for December 1997 through March 1998.
- C. SEMCO Energy Gas Company shall file with the Commission, within 30 days, tariff sheets reflecting the approvals granted in this order.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26; MSA 22.45.

MICHIGAN PUBLIC SERVICE COMMISSION

John G. Strand
Chairman

(S E A L)

John C. Shea
Commissioner

David A. Svanda
Commissioner

By its action of November 25, 1997.

Dorothy Wideman
Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

Commissioner

Commissioner

By its action of November 25, 1997.

Executive Secretary

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Suggested Minute:

“Adopt and issue order dated November 25, 1997 approving the joint stipulation and authorizing Southeastern Michigan Gas Company, now known as SEMCO Energy Gas Company, to revise its gas cost recovery factor for the remainder of the 12-month period ending March 31, 1998, as set forth in the order.”